No. 85-340 (3)

Supreme Court, U.S.
FILED
SEP 27 1985
JOSEPH F. SPANIOL, JR.
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

HART SCHAFFNER & MARK and ROOTS, INC.,

Petitioners,

vs.

NATURAL FOOTWEAR LIMITED, DON GREEN and MICHAEL BUDMAN,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Third Circuit

RESPONDENTS' BRIEF IN OPPOSITION

JOHN T. DOLAN
(Counsel of Record)

RICHARD S. ZACKIN
ARNOLD B. CALMANN
BRIAN J. McMAHON
CRUMMY, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE
A Professional Corporation
Gateway I
Newark, New Jersey 07102
(201) 622-2235

Counsel for Respondents, Natural Footwear Limited, Don Green and Michael Budman

Of Counsel:

HORST H. WERDER
LESLIE BERTAGNOLLI
BAKER & McKENZIE
Prudential Plaza
Chicago, Illinois 60601
(312) 861-8000

BEST AVAILABLE COPY

Adams Press Corp., 1188 Raymond Boulevard, Newark, New Jersey 07102—(201) 623-8611

35 pp

Counter-Statement of Questions Presented

1. Whether the Court of Appeals correctly applied well-settled principles of trademark law in holding that petitioners, who operated a local northern New Jersey retail clothing business with only *de minimis* business activity outside New Jersey, (a) were not entitled to a nationwide injunction to protect their unregistered trademark, and (b) were not entitled to divest respondents of their Principal Register trademark registrations.

2. Whether the Court of Appeals so far departed from the accepted and usual course of judicial proceedings as to require this Court's supervision when it reversed the nationwide injunction in favor of petitioners where (a) the district court's findings on the record as a whole were implausible and (b) where the district court failed to apply the correct legal principles.

Designation of Corporate Relationships

Pursuant to Rule 28.1 of the Rules of the Court, Respondents submit the following statement: Natural Footwear Limited is a wholly-owned subsidiary of Monway Developments, Limited, a Canadian corporation. Natural Footwear Limited has no non-wholly-owned subsidiaries.

TABLE OF CONTENTS

	PAGE
Counter-Statement of Questions Presented	i
Designation of Corporate Relationships	ii
Table of Authorities	iv
Counter-Statement of the Case	2
REASONS FOR DENYING THE PETITION:	
1. The decision below is totally consistent with the decisic ; of this Court and the decisions of other circuits, and petitioners have failed to acknowledge seminal and directly applicable decisions of this Court	9
2. The Court of Appeals did not impermissibly engage in appellate fact finding; rather, that court simply performed its duty to set aside findings that were clearly erroneous and remanded the case to the district court to make additional findings of fact under the correct legal standards, which were not employed by the trial court	18
Conclusion	26

PAGE

Table of Authorities

Cases Cited

American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619 (5th Cir. 1963) 12

Anderson v. City of Bessemer, 470 U.S. ——, 105 S. Ct. 1504 (1985) 18, 19, 21, 23-25

Benrose Fabrics Corp. v. Rosenstein, 183 F.2d 355 (7th Cir. 1950) 15

Bernard v. Lehman, No. 84-1638 (3d Cir. Aug. 29, 1985) 24, 25

Bigelow v. Virginia, 421 U.S. 809 (1975) 23

Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 408 F. Supp. 1219 (D. Colo. 1976), *aff'd as modified,* 561 F.2d 1365 (10th Cir. 1977), *cert. denied* 434 U.S. 1052 (1978) 15, 17

Bose Corporation v. Consumer's Union of United States, Inc., 466 U.S. 485, 104 S. Ct. 1949 (1984), *reh'g denied,* —— U.S. ——, 104 S. Ct. 3561 (1984) 20

Dayton Board of Education v. Brinkman, 443 U.S. 526 (1979), *reh'g denied* 444 U.S. 887 (1979) 24

Dreser Industries, Inc. v. Heraeus Engelhard Vacuum, Inc., 267 F. Supp. 963 (W.D. Pa. 1967), *aff'd,* 395 F.2d 457 (3d Cir.), *cert denied* 393 U.S. 934 (1968) 16

E.F. Pritchard Co. v. Consumers' Brewing Co., 136 F.2d 512 (6th Cir. 1943), *cert. denied* 321 U.S. 763 (1944) 15

PAGE

Federal Tel & Radio Corp. v. Federal Tel. Corp., 180 F.2d 250 (2d Cir. 1950) 11

Flavor Corp. of America v. Kemin Industries, Inc., 358 F. Supp. 1114 (S.D. Iowa 1973), *aff'd* 493 F.2d 275 (8th Cir. 1974) 12

Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916) 10-15, 18

Hemmeter Cigar Co. v. Congress Cigar Co., 118 F.2d 64 (6th Cir. 1941) 12

Jacobs v. Iodent Chemical Co., 41 F.2d 637 (3d Cir. 1930) 12

Kathreiner's Malzakaffee v. Pastor Kneipp Medicine Co., 82 F. 321 (7th Cir. 1897) 14

La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265 (2d Cir. 1974) 12

Levin v. Mississippi River Fuel Corp., 386 U.S. 162 (1967) 23

Locatelli, Inc. v. Tomaiuoli, 129 F. Supp. 630 (D. N.J. 1955) 16

McGregor-Doniger, Inc. v. Drizzle, Inc., 599 F.2d 1126 (2d Cir. 1979) 16

New England Duplicating Co., Inc. v. Mendes, 190 F.2d 415 (1st Cir. 1951) 15

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. ——, 105 S. Ct. 658 (1985) 17

Ph. Schneider Brewing Co. v. Century Distilling Co., 107 F.2d 699 (10th Cir. 1939) 15

PAGE

Pullman-Standard v. Swint, 456 U.S. 273 (1982) 23

Rosenberg Bros. & Co. v. Elliott, 7 F.2d 962 (3d Cir. 1925) 12

Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225 (3d Cir. 1978) 13, 16

Sweetarts v. Sunline, Inc., 380 F.2d 923 (8th Cir. 1967), *appeal after remand,* 436 F.2d 705 (8th Cir. 1971) 10, 13, 15

Sweet Sixteen Co. v. Sweet "16" Shop, Inc., 15 F.2d 920 (8th Cir. 1926) 14, 15

United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1918) 11

United States v. United States Gypsum Company, 333 U.S. 364 *reh'g denied,* 333 U.S. 869 (1948) 19, 24

University of Georgia Athletic Ass'n v. Laite, 756 F.2d 1535 (11th Cir. 1985) 15, 16

Value House v. Phillips Mercantile Co., 523 F.2d 424 (10th Cir. 1975) 12

Wiener King, Inc. v. Weiner King Corp., 192 U.S. P.Q. 353 (3d Cir. 1976) 12

Wrist-Rocket Mfg. Co. v. Saunders Archery Co., 578 F.2d 727 (8th Cir. 1978) 12

Statute Cited

15 U.S.C. § 1051, *et seq.* (Lanham Act) 9, 24

PAGE

Rules Cited

Fed. R. Civ. P. 52(a) 18-20, 24

Supreme Court Rule 17.1 18

Other Authorities Cited

International Convention for the Protection of Industrial Property, 21 U.S.T. 1583, 24 U.S.T. 2140 2

1 J.T. McCarthy, Trademarks and Unfair Competition § 13:2 at 578 (2d ed. 1984) 16

2 J.T. McCarthy, Trademarks and Unfair Competition, § 26:1 at 287, § 26:6 at 295 (2d ed. 1984) 13

3 R. Callmann & L. Altman, Unfair Competition, Trademarks & Monopolies, § 19.01 at 3 (4th ed. 1983) 13

No. 85-340

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

HART SCHAFFNER & MARX and ROOTS, INC.,
Petitioners,

vs.

NATURAL FOOTWEAR LIMITED, DON GREEN AND MICHAEL BUDMAN,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

RESPONDENTS' BRIEF IN OPPOSITION

By its Opinion and Judgment (A-95 to A-149) rendered on April 19, 1985, reported at 760 F.2d 1383 (3d Cir. 1985), the United States Court of Appeals for the Third Circuit unanimously reversed a decision and judgment by the United States District Court for the District of New Jersey, reported at 579 F. Supp. 543 (D. N.J. 1983), which the appellate court expressly found to be "without basis in fact or law," a "clear abuse of discretion" and "completely unjustified." (A-96).

Counter-Statement of the Case

The decisions below addressed the relative rights to the trademark ROOTS of respondent Natural Footwear Limited ("Natural"), a Toronto based manufacturer of footwear and other wearing apparel and the owner of both Canadian and United States Trademark Registration for ROOTS and ROOTS NATURAL FOOTWEAR,[1] and petitioner Roots, Inc. ("Roots"), a local northern New Jersey retail clothing operation which claims nationwide rights under the common law to use its unregistered mark.

The Third Circuit reversed the "Final Judgment" as entered by the trial court insofar as that judgment (1) improperly enjoined Natural throughout the United States from employing its registered trademark ROOTS on footwear, (2) ordered that Natural account to Roots for all

---

[1] United States Trademark Registration No. 995,891 was issued on October 15, 1974 for the trademark "ROOTS," and No. 1,009,061 was issued on April 8, 1975 for the trademark "ROOTS NATURAL FOOTWEAR & Beaver Design," for "footwear—namely shoes, slippers and boots," based on corresponding Canadian registrations. (Court of Appeals Appendix at 432-33 (hereinafter cited with a small "a" following the page numbers, i.e., 432-33a)). It is undisputed that pursuant to the International Convention for the Protection of Industrial Property, 21 U.S.T. 1583, 24 U.S.T. 2140, Natural's trademark rights in the United States arise as of May 14, 1973 the filing date of the Canadian ROOTS application (811a).

[2] The Order on Mandate, following the directive of the Court of Appeals, limited the injunction against Natural's use of the name and trademark ROOTS mark solely to the State of New Jersey. Natural had, in fact, stipulated at the inception of trial and on appeal that it did not challenge petitioners' right to the exclusive use of the mark in New Jersey.

profits earned by Natural on the sale of ROOTS footwear in the entire United States[3] and (3) ordered the cancellation of Natural's Principal Register trademarks (A-141 to A-142). The Court of Appeals directed the reinstatement of these registrations to the Principal Register (A-141). In addition, the Third Circuit remanded the matter and directed the district court to determine:

> (a) The geographic scope of an injunction, which the appellate court directed to be issued in Natural's favor, enjoining defendants from infringing Natural's registered ROOTS trademarks for footwear;
>
> (b) The extent to which Natural had acquired common law rights in its ROOTS mark for clothing in markets other than New Jersey and the geographic scope of the injunctive relief necessary to protect those rights;
>
> (c) Whether Roots had acquired common law rights to the ROOTS mark for clothing in New York and/or in Pennsylvania prior to the time that Natural entered those markets and acquired any rights.

Rather than proceeding on remand with an adjudication of these fact-sensitive common law trademark issues, petitioners seek review in this Court of the basic and well-

---

[3] The accounting award was vacated in its entirety except as to Natural's profits on sales of ROOTS footwear in New Jersey, as the Court of Appeals was of the view that it did not possess appellate jurisdiction over that portion of the award and remanded the issue for consideration under New Jersey common law principles (A-140 to A-141).

settled common law trademark principles which the Third Circuit applied in concluding that the nationwide injunction awarded to Roots was "without basis in fact or law" (A-96). The Court of Appeals was compelled to conclude that the evidence of record plainly could not support the nationwide reputation and common law trademark rights which petitioner Roots claimed and which the district court found to exist. Indeed, the Third Circuit was confronted with a totally implausible result, unsupported by and, in fact, directly contradicted by the objective evidence in the record.

To place Roots' bold claim to *nationwide* protection in proper perspective, it must be understood that this retail clothier operated for in excess of 60 years *only* in northern New Jersey and never registered its name. In 1917 and 1920, Adolph Root, Perry Root's father, opened stores in Jersey City and Bayonne, New Jersey, respectively, under the name of "Root's Department Store." The name was clearly derived from his surname and used in the possessive form. In or about 1931, the stores were moved to Summit, New Jersey, where they were operated as "Root's Department Store" and "Root's Men's and Boy's Shop" until 1956, when Root's Department Store was sold and Root's Men's and Boy's Shop was moved into a nearby bank building in Summit.[4] In 1965, Root's was acquired by petitioner Hart, Schaffner & Marx, which formed a wholly-owned subsidiary named Root's, Inc. Thereafter,

[4] The new store in the bank building retained the possessive form and was called "Root's". The main sign over the front door retained the possessive form until 1978 or 1979 and brass plates on the sides of the door still retain the possessive form of "Root's".

additional *New Jersey* stores were opened by Roots as follows: Red Bank, New Jersey (1969); Morristown, New Jersey (1977); Hackensack, New Jersey (1977); and Short Hills, New Jersey (1981).[5] During decades of operation, Root's remained a northern New Jersey retail clothier. Nonetheless, it has claimed a nationwide reputation.

Roots simply did not and cannot establish the nationwide reputation it has claimed. Only the unsupported and self-serving testimony of Mr. Perry Root, Roots' president, (the only witness at trial on behalf of petitioners) can be said to remotely support the assertion that his New Jersey clothing store operation had acquired such "reputation". The objective and undisputed documentary evidence compels the contrary conclusion.

Roots utterly failed to introduce evidence to establish, and the district court failed to evaluate, fundamental indicia of common law trademark rights such as the extent of sales and advertising in the geographic area claimed. No evidence of Roots' dollar sales volume in any geographic market outside New Jersey was introduced by Roots, despite the fact that it had the burden to establish its own sales in support of its claimed rights. Evidence of Roots' dollar sales volume in geographic markets outside New Jersey was introduced *by respondent Natural* after a pain-

---

[5] Root's reference in its Petition (Petition at 12 n.4) to the Court of Appeals' mistaken reference to the number of stores is nothing more than "nitpicking" because the Court discussed the existence of all of the stores correctly in the text of its opinion and thus merely made an arithmetical mistake when it provided a total in the footnote (A-97).

staking compilation effort by independent accountants to demonstrate the *de minimis* nature of Root's sales outside of the State.[6] The sales figures speak for themselves and the Court of Appeals correctly concluded that the objective evidence of Roots' sales flatly contradicted any conclusion that it had a nationwide trade.[7]

No evidence of any serious or significant advertising effort outside of New Jersey was introduced by Roots. To the contrary, the advertising evidence that Roots introduced at the trial highlights the lack of evidence to support its claimed national reputation, as well as the local nature of its operation. Roots simply has never advertised on any kind of a consistent or extensive level in any na-

---

[6] Natural's affirmative efforts in this regard to establish Root's lack of sales outside of New Jersey during the pre-1976 time period was severely hindered by the fact that Roots had destroyed many of the underlying sales slips and other documents relating to this period. This destruction of evidence occurred in 1980, during the district court proceedings and long after the dispute between Natural and Roots had arisen over the right to utilize the trademark (A-124).

[7] In the Petition, Roots implicitly suggests that it does a significant mail-order business with customers outside of New Jersey wherein it is stated that "Root's mail-order sales total between one-quarter to one-half million dollars annually." (Petition at 5). However, Roots does not inform the Court that Mr. Root's testimony was that this estimated figure included *all mail* and *telephone* orders for individuals residing everywhere, *including those residing in New Jersey* (5674-76a). It is not difficult to glean that the vast majority of this estimated figure was derived from sales to New Jersey customers when it is viewed in light of the fact that 94% or 38,392 of the total 40,899 individuals on Root's zip code mailing list business are New Jersey residents. (5826a; 5870a).

tional medium (A-103).[8] At trial, Root's introduced reams of *local* newspaper advertising, apparently in the hope that by sheer volume it could parlay its advertising efforts in such local newspapers as the *Summit Herald,* the *Chatham Courier,* and the *Short Hills Item,* into national advertising (*see, e.g.,* Exhibits CC 19 and CC 41-46). Roots' advertising efforts are consistent only with a retail store business geographically limited to northern New Jersey.

No consumer survey or consumer testimony was introduced by Roots. No expert testimony as to market reputation was introduced by Roots. The only expert testimony on this point was the uncontradicted testimony of experts called by Natural. Both Dr. Henry Assael, an expert on consumer behavior and marketing, and Steven Osterweis, a retail merchandising expert with years of practical ex-

---

[8] Once again, Roots points to the district court's reference to its *New Yorker* magazine advertising to the effect that "from at least May of 1959, more than fourteen years before Natural first shipped shoes to California, Roots was offering its goods nationally by mail" (Petition at 6). This reference exemplifies the incomplete picture presented by Roots. What both Roots and the district court failed to state in the quoted language is that this *New Yorker* advertising effort *ended in 1962* (6085a; 3783a; 3972-76a; 4087-88a). The record contains a total of 22 ads placed by Roots in the *New Yorker* from 1959 to 1962 (6085a). The ads are small and each features one single article of clothing (6085a). Roots placed no ads in the *New Yorker* during years 1963, 1964 and 1965 (3787a; 3972a; 6085a). In 1966, Roots placed seven monthly ads in the *New Yorker* which were of the same type that it placed during 1959 through 1962 (6085a). For the entire 10-year period from 1967 through 1976, Roots placed no ads in the *New Yorker* magazine (6085a; 3787-88a). In 1977, several years after Natural entered the market, Roots placed one ad in the *New Yorker* (3788a). Roots placed no ads in the *New Yorker* after 1977.

perience, independently concluded that Roots was a local retail clothing operation which had made no serious effort to extend its business beyond its New Jersey trade area and which did not have a national reputation. (A-131 to A-132). In short, at trial Roots relied upon the bare assertions of Perry Root as to the extent of his store's established trade area and reputation. Mr. Root had given similar testimony years before trial at the preliminary injunction hearing and, based thereon, a preliminary injunction had issued against Natural. However, years of discovery clearly exposed the total absence of concrete evidentiary support for these assertions. Not surprisingly, when he was read a portion of his testimony at the preliminary injunction hearing, Mr. Root stated, "I'm not clear on what I meant there, either" (5560-61a).

Despite the overwhelming record to the contrary, Roots now quotes the district court's conclusory finding that it had achieved a nationwide reputation. (Petition at 6). This conclusion was correctly found by the Third Circuit to be without factual or legal support (A-96).

Finally, petitioners suggest to this Court that the Third Circuit's application of traditional trademark principles requiring geographic market penetration, rather than mere *de minimis* usage, is somehow unfair to establishments like petitioner Roots which allegedly desire nationwide trademark protection. This, it is said, may redound to the detriment of smaller business concerns. It should not be forgotten that since 1965, some eight years before Natural registered the ROOTS mark and entered the United States, Root's was a subsidiary of Hart, Schaffner & Marx, a leading clothing manufacturer and retailer.

More importantly, the simple answer to petitioners' alleged concern is that *for 60 years,* Roots did not seek to register its trademark in accordance with the Lanham Act, 15 U.S.C. § 1051 *et seq.* Small business concerns which genuinely plan on conducting interstate business may register just as easily as large organizations and thereby obtain protection and fairly place others on notice of their use. This is precisely what Natural's principals did when they began their, at first, modest company.

Fairness dictates that nationwide trademark rights may not be derived from sporadic, *de minimis* usage, insufficient to establish geographic market reputation, fairly place others on notice of the claimed rights or create the likelihood of consumer confusion. The result reached by the Third Circuit was eminently correct.

REASONS FOR DENYING THE PETITION

1. The decision below is totally consistent with the decisions of this Court and the decisions of the other circuits, and petitioners have failed to acknowledge seminal and directly applicable decisions of this Court.

In a strained effort to identify a certworthy "issue," petitioners seriously misstate the applicable legal principles in order to argue that the Third Circuit's opinion is "without benefit of support" and is a case which "conflicts fundamentally with decisions in all other circuits." (Petition at 12). Petitioners, simply, are wrong. Consistent with the leading decisions of this Court, the Third Circuit correctly concluded that "the district court's decision was without basis in fact or law" and that petitioners "market penetration outside of New Jersey was, as a gen-

eral matter, *de minimis* at the time of [respondents' federal] registration." (A-95 to A-96).

In the lower courts, petitioners argued that *mere* prior use of the trademark anywhere in the United States was sufficient to confer trademark protection in the subject mark in each state in the country, *regardless* of the quantum of sales, advertising, marketing, promotion and proof of reputation and market penetration. Here, petitioners now argue that "genuine prior and continuing use" should be sufficient to afford petitioner pre-emptive trademark rights over respondents, a federal registrant. (Petition at 8-9). Regardless of the semantic modification in petitioners' legal position, the general principles applicable to the question of the development of common law trademark rights are well-settled.[9]

As recognized by the Third Circuit and as stated in the "venerable case" (A-111 to A-112)[10] of *Hanover Star Mill-*

---

[9] Petitioners *nowhere* identify the quantum of use they would deem sufficient to meet their own new test of "genuine use," or the type and nature of evidence required to demonstrate same, or the geographical scope of their new test. Evidently, petitioners' non-objective standard is applicable only to themselves.

[10] Contrary to petitioners' claim that the Third Circuit cited "only two opinions" in support of its decision, (Petition at 10), the Third Circuit clearly relied upon the "basic principles governing the territorial rights of trademark holders under the common law" as set forth in *Hanover Star Milling Co.* v. *Metcalf*, and its progeny. 240 U.S. 403, 415-416 (1916); (A-118 to A-122); *see Sweetarts* v. *Sunline, Inc.*, 380 F.2d 923, 928 (8th Cir. 1967), *appeal after remand*, 436 F.2d 705, 710-11 (8th Cir. 1971) (principles established in the "landmark case" of *Hanover Star Milling* and followed in other cases were applicable in concluding that *significant* market penetration is required to establish common law trademark rights).

ing Co. v. *Metcalf,* 240 U.S. 403, 413-414 (1916), a trademark "right grows out of use, not mere adoption," and there does not exist any "right of property in a trademark . . . except as appurtenant to an *established business* or trade in connection with which the mark is used." *Id.* (Emphasis added). Petitioners' position throughout this litigation that mere prior use is sufficient to grant petitioners nationwide trademark protection is untenable because "no such doctrine exists." *Federal Tel. & Radio Corp.* v. *Federal Tel. Corp.,* 180 F.2d 250, 251 (2d Cir. 1950) (Hand, Learned, J.). Common law trademark rights are not determined solely by mere priority of use without reference to the specific geographical area in which such use or trade occurred as well as the extent of such use:

> We agree with the court below . . . that "since it is the trade, and not the mark, that is to be protected, a trademark . . . extends to every market where the trader's goods *have become known and identified* by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article."

Hanover Star Milling, 240 U.S. at 416-17 (emphasis added), (citations omitted). *Accord, United Drug Co.* v. *Theodore Rectanus Co.,* 248 U.S. 90, 96-8 (1918) ("[T]he adoption of a trademark does not . . . project the right of protection in advance of the extension of the trade or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade.")

The federal courts have further developed and consistently applied these basic common law principles in analyzing market penetration and reputation to restrict a senior

user's protectable interest specifically to the geographic areas in which it has achieved significant market penetration. *E.g., Wrist-Rocket Mfg. Co.* v. *Saunders Archery Co.*, 578 F.2d 727, 731-34(8th Cir. 1978); *Value House* v. *Phillips Mercantile Co.*, 523 F.2d 424, 427-32 (10th Cir. 1975); *American Foods, Inc.* v. *Golden Flake, Inc.*, 312 F.2d 619, 625 (5th Cir. 1963); *Hemmeter Cigar Co.* v. *Congress Cigar Co.*, 118 F.2d 64, 66, 71 (6th Cir. 1941); *Jacobs* v. *Iodent Chemical Co.*, 41 F.2d 637, 639 (3d Cir. 1930); *Flavor Corp. of America* v. *Kemin Industries, Inc.*, 358 F.Supp. 1114, 1122-25 (S.D. Iowa 1973), *aff'd*, 493 F.2d 275, 283, 285 (8th Cir. 1974); *see La Societe Anonyme des Parfums le Galion* v. *Jean Patou, Inc.*, 495 F.2d 1265, 1271-72 (2d Cir. 1974).

It is not surprising that petitioners in their briefs in the Court of Appeals and in their Petition, never even discuss *Hanover Star Milling* or the numerous cases which require significant geographic market penetration to establish common law trademark rights. Although petitioners failed to even acknowledge these precedential decisions, the Third Circuit was well-acquainted with the applicable legal principles. (A-111 to A-112, A-118 to A-122); *Jacobs* v. *Iodent Chemical Co.*, 41 F.2d 637, 639-40 (3d Cir. 1930); *Rosenberg Bros. & Co.* v. *Elliott*, 7 F.2d 962, 965 (3d Cir. 1925); *Wiener King, Inc.* v. *Weiner King Corp.*, 192 U.S. P.Q. 353, 355-56 (3d Cir. 1976).[11]

---

[11] In his leading trademark treatise, Professor McCarthy concluded that the *Hanover Star Milling* doctrine "has been consistently followed as the common-law rule regarding territorial rights in trademarks," and the application of those principles in

(Footnote continued on following page)

The Third Circuit simply gave effect to these well-recognized principles and identified the four critical factors to be considered in its overall evaluation of the geographic market reputation of a trademark: "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." (A-120 to A-122). The Third Circuit's comparative evaluation of these important ingredients of market reputation was fully consistent with the long-held view that each trademark case "must be evaluated on its own facts and circumstances." *Scott Paper Co.* v. *Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978); *see Hanover Star Milling*, 240 U.S. at 415 (general trademark principles must be applied "to the facts of the cases decided"); *Sweetarts* v. *Sunline, Inc.*, 380 F.2d at 929 (the court "should weigh all the factors" in determining whether there was significant market penetration and reputation). (*See* A-120 to A-125, A-130 to A-131).

By including a page-long list of mere case citations, without any discussion, petitioners attempt to convince the

---

(Footnote continued from preceding page)

Sweetarts v. *Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971), "illustrates vividly the principle that the senior user's rights only extend as far as its actual market penetration." 2 J.T. McCarthy, *Trademarks and Unfair Competition*, § 26:1 at 287, § 26:6 at 295 (2d ed. 1984); 3 R. Callmann & L. Altman, *Unfair Competition, Trademarks & Monopolies*, § 19.01 at 3 (4th ed. 1983) ("the mere adoption of a mark without substantial use, in order to preempt it and thus prohibit its use by others, does not create any legally cognizable rights.")

Court that their contorted theory of trademark law is supported by the cases cited. (Petition at 8-9). To the extent that petitioners' citations relate to the issue of development of territorial trademark rights, these decisions are fully consistent with *Hanover Star Milling* and its progeny. For example, in *Sweet Sixteen Co.* v. *Sweet "16" Shop, Inc.*, 15 F.2d 920 (8th Cir. 1926), the Eighth Circuit specifically acknowledged the governing principles under *Hanover Star Milling*:

> Before the cases of *Hanover Star Milling Co.* v. *Wheeler Co.* and *United Drug Co.* v. *Rectanus* . . . were decided, much confusion is to be found and much diversity of opinion existed among the courts which dealt with the points which are here decisive. *The above cases crystallized the law, and prior learning, so far as the federal courts are concerned, becomes of negligible value.*

Sweet Sixteen Co., 15 F.2d at 922 (emphasis added).[12]

Sweet Sixteen involved non-surname technical trademarks and the court followed the market penetration and

---

[12] Cases decided prior to *Hanover Star Milling* and cited by petitioners (Petition at 8), which conceivably could be read to support the claim that mere prior use without any evaluation of the quantum and territorial extent of such use, are clearly distingushable or otherwise inconsistent with the principles of *Hanover Star Milling*, and accordingly are inapplicable and irrelevant. *See, e.g., Kathreiner's Malzkaffee* v. *Pastor Kneipp Medicine Co.*, 82 F. 321, 325 (7th Cir. 1897) ("piracy" and passing-off of trademark enjoined although the court recognized that "owner of a trade-mark may not be entitled to its exclusive use everywhere and under all circumstances, and may not enjoin its innocent use").

reputation test set forth in *Hanover Star Milling*. *Id.* at 922-24. The court analyzed the plaintiff's advertising, marketing and sales activity in the disputed geographical areas and concluded that based on the "*quantum of . . . use*, the solicitation of trade, and *the advertisements* of plaintiff *in the . . . territory of trade*," the plaintiff was entitled to relief. *Id.* at 921, 924 (emphasis added).[13] *See also E.F. Pritchard Co.* v. *Consumers' Brewing Co.*, 136 F.2d 512, 518-19 (6th Cir. 1943), *cert. denied*, 321 U.S. 763 (1944) (under the common law, "a trademark is generally the growth of a considerable period of use" and "it functions only in connection with an existing business"); *Big O Tire Dealers, Inc.* v. *Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219, 1230-40 (D. Colo. 1976), *aff'd as modified*, 561 F.2d 1365 (10th Cir. 1977), *cert. denied* 434 U.S. 1052 (1978).[14]

Moreover, the cases cited by petitioners which discuss the scope of protection of inherently distinctive marks or marks which do not require proof of "secondary meaning" to establish trademark rights, are totally inapposite to the petitioners. *See, e.g., University of Georgia Athletic*

---

[13] The court specifically noted that the trademark in issue was "fanciful" and was not "within the public domain" in which latter case, the plaintiff would be required to demonstrate "secondary meaning". *Id.* at 925. Even if *Sweet Sixteen* could be read as providing some support for petitioners' theory, that case has been modified by the Eighth Circuit. *E.g. Sweetarts* v. *Sunline, Inc.*, 380 F.2d 923, *appeal after remand*, 436 F.2d 705.

[14] Other cases cited by petitioners which recognized the traditional principles of *Hanover Star Milling* include *New England Duplicating Co., Inc.* v. *Mendes*, 190 F.2d 415, 417-18 (1st Cir. 1951); *Benrose Fabrics Corp.* v. *Rosenstein*, 183 F.2d 355, 359 (7th Cir. 1950); *Ph. Schneider Brewing Co.* v. *Century Distilling Co.*, 107 F.2d 699, 702-03 (10th Cir. 1939).

Ass'n v. *Laite,* 756 F.2d 1535, 1540-42, 1545-46 (11th Cir. 1985); *McGregor-Doniger, Inc.* v. *Drizzle, Inc.,* 599 F.2d 1126, 1132 (2d Cir. 1979). Petitioners' mark indisputably originated as a surname and was used as a surname. Inasmuch as the Third Circuit reviewed the record facts and applicable law and concluded that (apart from New Jersey which respondents conceded to petitioners), the petitioners failed to demonstrate *any* market reputation or common law trademark rights in any other state, (A-130 to A-131; A-135 to A-136), the court found it unnecessary to "consider whether [petitioners have] demonstrated secondary meaning for its name." (A-130 & n.47). In light of the surname origin of petitioners' mark, it is axiomatic that petitioners had the burden of proving not only market penetration, but secondary meaning in the mark in each geographical area in which they asserted trademark rights. *Dresser Industries, Inc.* v. *Heraeus Engelhard Vacuum, Inc.,* 267 F. Supp. 963, 968 (W.D. Pa. 1967), *aff'd,* 395 F.2d 457 (3d Cir.), *cert. denied* 393 U.S. 934 (1968); *see Scott Paper Co.* v. *Scott's Liquid Gold, Inc.,* 589 F.2d at 1228, 1231-32.[15]

---

[15] *See also Locatelli, Inc.* v. *Tomaiuoli,* 129 F. Supp. 630, 633 (D. N.J. 1955) (under New Jersey law, a surname must evidence "secondary meaning"); 1 J.T. McCarthy, *Trademarks and Unfair Competition* § 13:2, at 578 (2d ed. 1984) ("[S]ince personal names are not regarded as being inherently distinctive marks, they can be protected as trademarks only upon proof that through usage they have acquired distinctiveness and secondary meaning.") Even assuming *arguendo,* that petitioners had demonstrated sufficient common law market penetration (which of course, they did not), they would still be required to affirmatively demonstrate secondary meaning in the district court. Accordingly, the issues herein would not be ripe for adjudication by this Court until additional findings were made by the court below regarding proof of "secondary meaning."

Petitioners also complain that "the trademarks of 'small businesses' are as much entitled to protection as those of large companies" and that if a business cannot meet the market factors discussed by the Third Circuit, smaller companies will be overrun by larger companies "with greater resources." (Petition at 9-10). This position is totally disingenuous. First, it ill-behooves petitioners to claim they are a "small business" when the record reveals that petitioner Roots was acquired by petitioners Hart Schaffner & Marx in 1965, eight years prior to respondents' entry into the United States marketplace. Hart Schaffner & Marx is a well known, billion dollar business.[16] Second, in order to claim a trademark, all a "small business" need do is register under the Lanham Act. *See Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. ——, 105 S. Ct. 658, 661, 664 (1985) ("Congress enacted the Lanham Act in 1946 in order to provide national protection for trademarks used in interstate and foreign commerce."). Petitioners' failure to register under the Act is inexplicable. Third, whether any of the parties were "large" or "small" businesses is irrelevant—the only issue is whether there is evidence of geographic market reputation.

The Third Circuit has not rewritten the standard for evaluating the territorial scope of common law trademarks.

---

[16] Equally specious is petitioners' quotation from *Big O Tire Dealers, Inc.* v. *Goodyear Tire & Rubber Co.*, 408 F. Supp. at 1232. (Petition at 10). In that case, the defendant Goodyear acted "in blatant disregard of the plaintiff's position" and utilized plaintiff's trademark with full, prior knowledge thereof. *Big O Tire Dealers*, 408 F. Supp. at 1232. No such facts pertain here.

The Third Circuit's unanimous decision was fully consistent with settled principles of this Court and circuit courts applying *Hanover Star Milling* and decisions thereunder.

2. The Court of Appeals did not impermissibly engage in appellate fact finding; rather, that court simply performed its duty to set aside findings that were clearly erroneous and remanded the case to the district court to make additional findings of fact under the correct legal standards, which were not employed by the trial court.

A review on writ of certiorari is not a matter of right but of judicial discretion, and will be granted *only* when there are special and important reasons therefor. *See* Sup. Ct. R. 17.1. In an attempt to elevate their cause into a matter requiring consideration by this Court, petitioners assert that the Court of Appeals improperly substituted its own judgment for that of the district court in violation of Fed. R. Civ. P. 52(a) as recently considered by this Court in *Anderson* v. *City of Bessemer,* 470 U.S. ——, 105 S. Ct. 1504 (1985). Petitioners' case for review by this Court is, however, belied simply by a perusal of the Court of Appeals' opinion below. That opinion demonstrates as well as anything can that the district court's findings were virtually without support in the record, totally implausible in light of the evidence in the record, and thus "clearly erroneous" within the meaning of Rule 52(a) and the Court's rulings in *Anderson* and other cases. Moreover, contrary to petitioners' contention, after setting aside the trial court's unsupportable conclusions, the Court of Appeals did not engage in impermissible fact finding but simply set forth the legal standards and the appropriate

factual framework within which the case should be decided on remand. Accordingly, this case does not present an issue worthy of Supreme Court review.

In *Anderson* v. *City of Bessemer,* this Court reiterated its oft-cited definition of "clearly erroneous" within the meaning of Fed. R. Civ. P. 52(a), *i.e.,*— "'a finding is "clearly erroneous" when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed'." 470 U.S. at ——, 105 S. Ct. at 1511. *Accord United States* v. *United States Gypsum Company,* 333 U.S. 364, 395, *reh'g denied,* 333 U.S. 869 (1948). The Court also provided appellate courts with additional guidance as to the proper scope of appellate review, *Anderson,* 470 U.S. at ——, 105 S. Ct. at 1512 (emphasis added):

> If the district court's account of the evidence is *plausible* in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently.

The Court of Appeals below did no injustice to these principles. Its decision unmistakably indicates the firm conviction that the district court's findings were, in fact, *implausible* in light of the record and thus clearly erroneous.

As the appellate court's opinion makes clear, the instant record can support but one conclusion—Roots failed to demonstrate its entitlement to a *nationwide* injunction against Natural's use of the ROOTS mark. (A-96). After under-

taking a painstaking, in depth review of the record,[17] the Court of Appeals concluded that "the district court's decision was without basis in fact or law." (A-95 to A-96).

In support of this conclusion, the Court of Appeals noted that petitioners failed to adduce any evidence in certain crucial areas. For example, Roots offered *no* documentation to support its estimated dollar value of mail-order sales to out-of-state customers, (A-99), and for certain critical years, Roots failed to present any out-of-state sales figures whatsoever (A-100). Moreover, although Roots claimed a national reputation among "high-quality" clothing customers, it offered *no* evidence to distinguish the relevant group of customers from the general population, or to indicate the extent to which its reputation was known within the claimed market. (A-129). In addition, Roots introduced *no* consumer surveys, expert testimony, or similar evidence to document whether its advertising efforts were likely to reach and inform its target audience. (A-130).

Furthermore, as the Court of Appeals noted, with respect to other critical areas, the proofs submitted by Roots were woefully inadequate. *See, e.g.*, the discussions regardings Roots' failure to distinguish between "active" and "inactive" customers on Roots' mailing list, (A-128),

---

[17] Although Rule 52(a) limits an appellate court's power to overturn findings of a district court, it is clear that the Rule should not be read to prevent the appellate tribunal from making an independent examination of all of the evidence in the record. *Bose Corporation* v. *Consumer's Union of United States, Inc.*, 466 U.S. 485, 104 S. Ct. 1949 (1984), *reh'g denied*, —— U.S. ——, 104 S. Ct. 3561-3562 (1984).

and its failure to present evidence of a consistent and growing reputation (A-127).

In light of the complete absence of evidence in certain critical areas and lack of sufficient detail in others the Court of Appeals was constrained to conclude that "[t]he record simply will not support the district court's conclusion." (A-119).

In sum, no claim to a national reputation could *plausibly* rest upon the evidence in this record. Petitioners offered only the unsubstantiated, self-serving testimony of Perry Root to support their claim to nationwide recognition of Roots' products. The mere fact that Roots presented *some* evidence did not, however, preclude the Court of Appeals from rejecting the district court's findings. As this Court in *Anderson* v. *City of Bessemer,* was careful to note:

> Documents or objective evidence may contradict the witnesses' story; or the story itself may be so internally inconsistent or implausible on its face that a reasonable fact finder would not credit it. *Where such factors are present, the court of appeals may well find clear error* . . . .

470 U.S. at ——, 105 S. Ct. at 1512-1513. (emphasis added)

Such is the situation here. The overwhelming documentary evidence in the record contradicts the testimony of Mr. Root and serves to discredit his opinions by show-

ing clearly that Roots' business activity[18] outside New Jersey was essentially *de minimis* as of the time of Natural's federal registrations.

In addition, the Court of Appeals faulted the district court not only for drawing implausible conclusions from the facts in the record, but also for failing to apply the proper legal standards. (*E.g.*, "We conclude that the District Court's decision was without basis in fact *or law*" (A-96); "*Under the correct test,* the record simply will not support the district court's conclusion" (A-119); "Roots failed even to come close to making *the necessary showing*" (A-131); "[the District Court's position] is totally without support in the record *under the appropriate legal standards*" (A-139).)[19] Where the trial court's findings rest on an incorrect understanding of the law, the "clearly erroneous" rule does not apply. *Pullman-Standard* v. *Swint,* 456 U.S. 273, 284-85, 287 (1982). Clearly, the appellate court was entitled, if not obligated, to review the facts of record

[18] Roots, in fact, offered no documentary evidence of its out-of-state sales. Instead, it was Natural which presented the available documentary evidence because these proofs illustrated the *de minimis* nature of those sales. While Roots relied heavily upon its sporadic advertising in *New Yorker* magazine as proof of its "national reputation", the record is lacking of any documentary evidence to indicate that such advertising succeeded in generating out-of-state sales. *See, supra,* note 8. In reality, the documentary evidence in the record overwhelmingly establishes the contrary—that out-of-state sales were *de minimis.*

[19] Emphasis added. Thus, contrary to petitioners' contention (Petition at 13) the Court of Appeals properly rejected the district court's conclusion that the "Boiko Report" was somehow evidence of Roots' national reputation, because, under the correct legal standards, that document, offered by Natural, showed only the *de minimis* nature of petitioner Roots' sales outside New Jersey.

in light of the correct legal standards to provide guidance to the district court on remand.

Moreover, the Court of Appeals contrary to petitioners' contention, *did* remand the case for further findings, *e.g.*, the extent to which Natural was entitled to injunctive relief pursuant to its rights under the Lanham Act, whether Roots was capable of establishing common law trademark rights in clothing in New York and Pennsylvania, and the extent of Natural's common law rights in clothing.

With respect to Natural's entitlement to an injunction to protect its federal registrations for footwear, the Court of Appeals correctly concluded that a remand was unnecessary because the evidence of record was susceptible only of the conclusion that Roots' business activity in states other than New Jersey was too insignificant, as a matter of law, to vitiate the supremacy of Natural's registrations. A remand is inappropriate when, as here, the facts of record are susceptible of only one reasonable interpretation. *Pullman-Standard* v. *Swint,* 456 U.S. at 292, (1982); *Bigelow* v. *Virginia,* 421 U.S. 809, 826-27 (1975). Effective judicial administration requires that the Court of Appeals draw the inescapable conclusion itself rather than remand the case for further needless proceedings. *Pullman-Standard,* 456 U.S. at 301, (Marshall, J., dissenting); *Levin* v. *Mississippi River Fuel Corp.,* 386 U.S. 162, 170 (1967).

Notwithstanding *Anderson's* recent caution to appellate courts regarding the proper limits on their power of review, it remains beyond question that when the district court's findings are implausible and without support in the record, it is the responsibility of the appellate court to find clear

error and to set these findings aside. *Anderson,* 470 U.S. at ——, 105 S. Ct. at 1513; *Gypsum,* 333 U.S. at 396; *Dayton Board of Education* v. *Brinkman,* 443 U.S. 526, 534, n.8, (1979), *reh'g denied,* 444 U.S. 887 (1979). Accordingly, there was no violation of Rule 52(a) by the Court of Appeals.[20] In summary, the Court of Appeals' decision was entirely consistent with Rule 52(a) and the well-settled principles governing the scope of appellate review.

In requesting this Court to grant the Petition, the petitioners imply that supervision of the Third Circuit's adherence to *Anderson* v. *City of Bessemer* is required. In this regard two points should be noted. First, the Third Circuit had available to it this Court's decision in *Anderson* v. *City of Bessemer* at the time it rendered its decision in this case, and there is no reason to conclude that the appellate court was not aware of that decision. Second, the Third Circuit's recent opinion in *Bernard* v. *Lehman,* No.

---

[20] Petitioners also erroneously contend that the appellate court improperly relied upon the testimony of Natural's expert witnesses "to support its own findings." (Petition at 12). In fact, the appellate court merely cites to the expert testimony as reinforcing what the uncontroverted extrinsic documentary record had already established—that Roots had not acquired a *national* reputation. The district court's conclusion that the experts did not have much beyond "a superficial exposure to the underlying facts", (A-80 to A-81) was clearly erroneous because the uncontroverted testimony of the experts was that they reviewed *all* of the evidence of record as to Roots' business activity outside New Jersey. (4737-42a; 3163-76a; 4910-11a; 2660-82a).

Petitioners also point to the appellate court's failure to consider the district court's alleged "finding", of Natural's "intentional and deliberate attempt to trade on Roots' reputation." (Petition at 13). The district court, in fact, never made any such finding. Indeed, Roots offered no evidence of "palming off" and such a finding could not otherwise be supported on this record.

84-1638 (3d Cir. Aug. 29, 1985), removes any doubt regarding the Third Circuit's compliance with the principles set forth in *Anderson.*[21] Thus, there is no need to question the Third Circuit's adherence to *Anderson,* and the writ herein presents no issue which warrants consideration by this Court.

---

[21] In *Bernard,* the Third Circuit analyzed the principles announced in *Anderson,* and, although troubled by certain weaknesses in the district court opinion, acknowledged that, in accordance with the priniciples of *Anderson,* it would not disturb district court findings that were not clearly erroneous. *Bernard,* No. 84-1638 at 20. It should also be noted that the Third Circuit denied petitioners request for a rehearing on May 30, 1985.

CONCLUSION

For the foregoing reasons the Petition for Writ of Certiorari should be denied.

Respectfully submitted,

JOHN T. DOLAN
(*Counsel of Record*)

RICHARD S. ZACKIN
ARNOLD B. CALMANN
BRIAN J. MCMAHON
CRUMMY, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE
A Professional Corporation
Gateway I
Newark, New Jersey 07102
(201) 622-2235

Counsel for Respondents, Natural Footwear Limited, Don Green and Michael Budman

Of Counsel:

HORST H. WERDER
LESLIE BERTAGNOLLI
BAKER & MCKENZIE
Prudential Plaza
Chicago, Illinois 60601
(312) 861-8000

Dated: September 27, 1985